5 April 2022

# Next Fifteen Communications Group plc

("Next 15" or the "Group")

## Results for the year ended 31 January 2022

Next Fifteen Communications Group plc (AIM:NFC), the tech and data-driven growth consultancy, today announces its final results for the year ended 31 January 2022.

### Financial results for the year to 31 January 2022

| | Year ended 31 January 2022 £m | Year ended 31 January 2021 £m | % change year on year |
|---|---|---|---|
| **Adjusted results**[1] | | | |
| Net revenue | **362.1** | **266.9** | **36%** |
| Adjusted operating profit after interest on finance lease liabilities | **79.3** | **49.5** | **60%** |
| Adjusted operating profit margin | **21.9%** | **18.5%** | |
| Adjusted profit before tax | **79.3** | **49.1** | **62%** |
| Adjusted diluted earnings per share (p) | **59.7p** | **40.7p** | **47%** |
| **Statutory results** | | | |
| Net cash generated from operations | **92.9** | **72.9** | **27%** |
| Revenue | **470.1** | **323.7** | **45%** |
| Operating profit | **40.0** | **13.7** | **192%** |
| Loss before tax[2] | **(80.1)** | **(1.3)** | |
| Diluted loss per share (p) | **(74.9)p** | **(5.5)p** | |

[1]Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results within notes 2, 3 and 8.

[2]The statutory loss before tax is principally the result of acquisition accounting related costs, the majority of which relates to the increased earnout payable over the next five years to Mach49 equity holders as a result of a substantial contract win. See page 5 for further details

### Highlights

- Group net revenue growth of 36% to £362.1m and statutory revenue growth of 45%, aided by acquisitions
- Organic net revenue growth of 26.1% with strong growth across all four of the Group's segments
- Adjusted profit before tax up 62% to £79.3m
- Adjusted diluted earnings per share increased by 47% to 59.7p
- Final dividend of 8.4p per share, representing an increase of 20%
- Net cash generated from operations increased by 27% to £92.9m
- Strong balance sheet with net cash of £35.7m at 31 January 2022
- Significant client wins including Aston Martin, Boots, Toptal and Duolingo
- Following the year end, material contract win for Mach49 anticipated to generate over $400m of fees over five years, leading to a significant increase in the earnout which will be funded out of the cashflows of the business. This has resulted in the statutory loss before tax
- Acquisition of Engine UK announced in March 2022

**Current trading and outlook**

- The Group has made a strong start to the new financial year with a continuation of the trends and performance seen in Q4 and we are pleased to report that we expect to deliver another year of strong organic revenue growth
- The acquisition of Engine and the major contract win by Mach49 gives the group further confidence in another year of significant progress

**Commenting on the results, Chair of Next 15, Penny Ladkin-Brand said**:

"If 2020 was about being cautious in the face of the pandemic, this last year has been about using the valuable lessons learned during that time to seize the very real opportunities in front of us. In 2020 we reorganized the Group around the challenge of how we help our customers grow. This year our net revenue growth has been impressive as a result. We delivered net revenue of £362.1m, a pleasing increase of 36%, of which 26% was organic. When you compare these figures against any major player in our sector, these are excellent results. But our financial growth has been matched by significant steps to build a stronger, more resilient business model, capable of sustaining this strong growth in the future."

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## Notes:

*Net revenue*
Net revenue is calculated as revenue less direct costs as shown on the Consolidated Income Statement.

*Organic net revenue growth*
Organic net revenue growth is defined as the net revenue growth at constant currency excluding the impact of acquisitions and disposals in the last 12 months. For acquisitions made in the prior year, only the corresponding months of ownership are included in the calculation of growth. This measure can't be reconciled to a statutory measure within this announcement.

*Adjusted operating profit margin*
Adjusted operating profit margin is calculated based on the adjusted operating profit after interest on finance lease liabilities as a percentage of net revenue.

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation.

## About Next Fifteen

Next Fifteen (AIM:NFC) is an AIM-listed tech and data-driven growth consultancy with operations in Europe, North America and across Asia Pacific. The Group has a strong track record of creating and acquiring high-performance businesses. For acquired businesses it offers an opportunity to take advantage of the Group's global operational infrastructure and centralized resources to accelerate their growth. The Group has long-term customer relationships with many of the world's leading companies including Google, Amazon, Facebook, Microsoft, IBM, American Express and Procter & Gamble.

The business operates across four segments, each of which describes how we help customers grow in different ways: Customer Insight helps them understand their opportunities and challenges; Customer Engagement optimises their reputation and digital assets; Customer Delivery helps them connect with customers to drive sales; and Business Transformation helps maximize long-term value through corporate positioning, business design and the development of new ventures.

At Next Fifteen, success is underpinned by a people-led approach. Our purpose is to make our customers and our people the best versions of themselves, and our culture is empowering and respectful. We are seeking B Corp status as externally audited recognition of our commitment to our people and the planet alongside performance.

Our goal is to deliver above-market growth. Our net revenues have grown by 112% over the last five years and we are aiming to double the size of the business in the next four years. This will be driven by the quality of the businesses, the strength of our customer relationships, the support our model gives them, and strong tech, data and digital tailwinds.

## Chairman and Chief Executive's Statement

### Review of FY22

The pandemic has changed the world as we knew it. It has forced every business and organization to rethink the way they interact with customers, shareholders, employees, partners, and the various government agencies they might deal with. It is against this background that Next 15 and its four groups of businesses have been operating. It has been a stellar year for the Group in financial terms with record revenues and profits, and exceptional levels of organic and absolute growth.

### Strategy

The Group is set up to solve the biggest challenge facing all of our customers, which is driving growth. There are many ways we help our customers grow, but we believe we have a unique advantage in four areas:

- Customer Insight
- Customer Engagement
- Customer Delivery
- Business Transformation

Our **customer insight** business is set up to help customers understand the opportunities and challenges they face and arm them with the knowledge they need to make the best decisions.

Our **customer engagement** business is designed to help our customers optimize their brand reputation and build the mission-critical digital assets such as ecommerce platforms, apps and websites that are the window through which much of the world's commerce is now transacted.

**Customer delivery** businesses are deeply specialised to use creativity, data, and analytics to create the connections with customers to drive sales and other forms of interaction. This link in the chain is increasingly digital. Businesses want to anticipate what their customers want and when they will want it. It is perhaps not surprising that this is a high growth area for our Group.

**Business transformation** is where customers need our help to either redesign their business model or create entirely new ventures. It is also the area where they need our help to understand how to maximise the value of the organisation

### Acquisitions

The Group has continued to grow its portfolio of businesses. In March 2021, the Group acquired Shopper Media Group Ltd ('SMG'), which specialises in commerce marketing activation, connecting retailers and brands with shoppers at the point of purchase both online and in-store. Their clients include The Co-op Group, Boots, The Very Group, Pladis and McCain Foods. Then in April 2021 we announced that we had increased our shareholding in Blueshirt Capital Advisory LLP to 51% from 20% previously.

During the year Savanta, our Customer Insight business, acquired YouthSight, a UK based youth specialist agency, and MSI, a US based healthcare and financial services specialist agency.

Following the period end, the Group announced the acquisition of Engine UK for an enterprise value of £77.5 million, with £61.7 million paid on completion in cash. The acquisition of Engine UK adds significant capabilities for Next 15 to offer growth consultancy services and accelerates Next 15's Business Transformation ambitions, adding significant scale and bringing new capabilities in the counter cyclical public sector. Engine UK's clients include global brands such as AstraZeneca, E-ON, Sky and public sector clients including the Home Office and the Ministry of Justice. The acquisition of Engine UK was part funded by a placing which raised gross proceeds of approximately £50m.

## Significant contract win

In February 2022, Next 15 announced that its wholly owned subsidiary Mach49, the growth incubator for global businesses, had entered into a five-year strategic alliance with a global technology and digital company, currently operating in stealth mode. Under the agreement, they will be tasked with helping create and launch a series of innovation-led, technology-driven, sustainable ventures across the world.

Over the term of the contract total fees are expected to be in excess of $400m, with revenues in the first year to be approximately $50m. This signing of this contract contributed to the better than anticipated Group financial performance for the full year.

Mach49's equity holders will also share in the benefit of this significant contract win in the form of a materially higher earnout. This will be payable over the next five years and will be funded entirely from the cashflows resulting from the business. However, from an accounting perspective, the full increase of £107m in the anticipated earnout is included in our statutory profit and loss account as a finance expense. The estimates around the contingent consideration are considered by management to be an area of significant judgement and if these were to be incorrect, this could result in a material adjustment to the value of these liabilities within the next financial year.

## Board update

On 28 March 202, the Group announced that it had appointed Dianna Jones as a Non-Executive Director with effect from 6 April 2022. In addition, Jonathan Peachey, Next Fifteen's Chief Operating Officer, also joined the Board from the same date.

The new appointments to Next Fifteen's Board reflect the continued growth of the Group in recent years and add a greater breadth of experience, particularly in the U.S. market. Dianna has nearly twenty years of legal experience and is a Director in Legal Compliance at Uber, the global technology company. Her focus is providing senior counsel on Legal Compliance and Environmental, Social and Governance (ESG) issues, and she also serves as Global Co-Chair of Black at Uber Employee Resource Group. Previously, Dianna served as Regional Compliance Counsel – Western Hemisphere at John Wood Group plc.

Jonathan Peachey has served as Next Fifteen's Group Chief Operating Officer since June 2019. He has previously served in senior strategy and delivery roles at a range of businesses including the BBC, where he led the development of its customer data programme, and as Chief Operating Officer & Senior Partner of Engine Group. He joined Engine Group following its acquisition of his digital strategy consultancy. He will join the Board and remain in his current role.

## Dividend

The Board is recommending the payment of a final dividend for the year ended 31 January 2020 of 8.4p per share, which would represent a total dividend of 12p for the year. The final dividend represents an increase of 20% on the final dividend in the prior year.

## Current trading and outlook

The Board is pleased to report that the Group has made a strong start to the new financial year with a continuation of the performance seen in Q4. While we are keeping a watchful eye on the geopolitical situation and macro-economic factors, we are pleased to report that we expect to deliver another year of strong organic revenue growth.

## Review of Adjusted Results to 31 January 2022

| ADJUSTED RESULTS[1] | Year Ended 31 January 2022 £'000 | Year Ended 31 January 2021 £'000 |
|---|---|---|
| Net revenue | **362,103** | **266,886** |
| Operating profit after interest on lease liabilities | **79,347** | **49,486** |
| Operating profit margin | **21.9%** | **18.5%** |
| Net finance expense | **(290)** | **(800)** |
| Share of profits from associate | **211** | **431** |
| Profit before income tax | **79,268** | **49,117** |
| Tax rate on adjusted profit | **21.6%** | **20.2%** |
| Diluted adjusted earnings per share | **59.7p** | **40.7p** |

[1]Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results below and within notes 2, 3 and 8.

The Group has traded very strongly over the last 12 months with each of our four segments making a very positive contribution to the Group's performance.

Having produced a resilient trading performance during a Covid impacted FY21, our agencies saw the opportunity to accelerate their growth in FY22 by delivering a range of products and services which helped their clients meet their growth challenges in a post pandemic world. The trading performance was highest in our relatively new Customer Delivery and Business Transformation segments as clients focused on maximising their revenue growth and adapting their business models to a digital first environment, whilst our Customer Insights and Customer Engage segments also saw encouraging revenue growth on the back of their expanding customer base. The Group's reported performance in FY22 was higher than had been previously expected in part as a result of revenue from Mach49 relating to its significant new contract win which was recognised at the end of the period.

Our total Group net revenues increased by 36% in total (2021: 7%) and organic net revenue growth was 26% (2021: decline of 3.4%), whilst a combination of very high organic net revenue growth and our proactive approach to managing our cost base resulted in an increase in the operating profit margin to a record 21.9% from 18.5% in the prior year. All of our agencies performed well last year with the standout performances being from Activate, M Booth, Brandwidth and the Blueshirt Group, which each grew their revenue above 30% and showed good margin progression. Our B2B agencies performed very strongly whilst our B2C agencies continued to recover from the impact of the pandemic in the prior year.

### Reconciliation between statutory and adjusted profit

For the year to 31 January 2022, the Group delivered net revenue of £362.1m (2021: £266.9m), adjusted operating profit of £79.3m (2021: £49.5m), adjusted profit before income tax of £79.3m (2021: £49.1m) and adjusted diluted earnings per share of 59.7p (2021: 40.7p). Statutory revenue for the year was £470.1m (2021: £323.7m) which resulted in an operating profit of £40.0m compared with £13.7m in the previous year. Diluted loss per share was 74.9p, compared with a loss per share of 5.5p in the previous year.

While adjusted operating profit increased by 60% to £79.3m (2021: £49.5m), reflecting the very strong trading of the Group, the statutory loss before tax was £80.1m (statutory loss in 2021: £1.3m). The statutory loss before tax was mostly caused by the significant anticipated increase in the Mach49 earn-out liability as a consequence of their winning the exceptionally large multi-year contract which we announced at the end of February 2022.

| | Year ended 31 January 2022 £'000 | Year ended 31 January 2021 £'000 |
|---|---|---|
| **Loss before income tax** | **(80,139)** | **(1,306)** |
| Acquisition accounting related costs[1] | 151,856 | 36,260 |
| Charge for one-off employee incentive schemes | 5,891 | 2,424 |
| Restructuring costs | - | 2,746 |
| Deal costs | 486 | 371 |
| Property impairment | 233 | 10,018 |
| Gains on investment activities | (455) | - |
| UK furlough grant | 1,396 | (1,396) |
| **Adjusted profit before income tax**[2] | **79,268** | **49,117** |

[1] Acquisition accounting related costs includes unwinding of discount and change in estimate on deferred and contingent consideration and share purchase obligation payable, employment linked acquisition payments and amortisation of acquired intangibles.
[2] A full reconciliation and further detail is set out in note 2 and 3.

In order to assist shareholders' understanding of the performance of the business, the following commentary is focused on the adjusted performance for the 12 months to 31 January 2022, compared with the 12 months to 31 January 2021. The Directors consider these adjusted measures to be highly relevant as they reflect the trading performance of the business and align with how shareholders value the business. They also allow understandable like-for-like year-on-year comparisons and more closely correlate with the cash and working capital position of the Group.

## Segment adjusted performance

| | Customer Engage £'000 | Customer Delivery £'000 | Customer Insight £'000 | Business Transformation £'000 | Head Office £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 January 2022** | | | | | | |
| **Net revenue** | **187,566** | **79,951** | **42,109** | **52,477** | **-** | **362,103** |
| **Adjusted operating profit / (loss) after interest on finance lease liabilities** | **40,434** | **28,501** | **9,023** | **15,221** | **(13,832)** | **79,347** |
| **Adjusted operating profit margin**[1] | **21.6%** | **35.6%** | **21.4%** | **29.0%** | **-** | **21.9%** |
| **Organic net revenue growth** | **15.7%** | **40.0%** | **18.6%** | **99.9%** | **-** | **26.1%** |
| Year ended 31 January 2021 | | | | | | |
| Net revenue | 166,534 | 49,557 | 33,073 | 17,722 | - | 266,886 |
| Adjusted operating profit / (loss) after interest on finance lease liabilities | 36,866 | 15,232 | 4,876 | 3,906 | (11,394) | 49,486 |
| Adjusted operating profit margin[1] | 22.1% | 30.7% | 14.7% | 22.0% | - | 18.5% |
| Organic net revenue (decline)/growth | (9.2%) | 17.2% | (3.6%) | 9.0% | - | (3.4%) |

[1] Adjusted operating profit margin is calculated based on the adjusted operating profit after interest on finance lease liabilities as a percentage of net revenue.

The **Customer Insights** segment includes Savanta and Planning-inc. Savanta performed well as its predominantly B2C client base recovered from the pandemic. Their UK business was strengthened by the acquisition of Youthsight, which expanded their client offering into the youth market, whilst Savanta US grew by over 50% year on year helped by the acquisition of MSI, which is focused in the healthcare and financial services sectors. Planning-inc continued to grow their retail client base and developed a suite of products which should facilitate further growth over the next couple of years. Total net revenue increased by 27.3% to £42.1m with organic growth of 18.6%, whilst the adjusted operating profit increased by 85.0% to £9.0m at an improved operating margin of 21.4%.

The **Customer Engage** segment includes M Booth, Outcast, Archetype, Nectar, Beyond, Brandwidth, ODD and Elvis. M Booth and Brandwidth were the stand-out performers as they expended their relationships with a broad cross-section of clients including Procter & Gamble, Bed, Bath and Beyond, Google and Dow Chemicals. However, all of the agencies increased their revenues and margins during the period. The segment produced a very positive performance overall with net revenue growing by 12.6% to £187.6m, with organic growth of 15.7%, and delivered an operating profit of £40.4m at an operating margin of 21.6%.

The **Customer Delivery** segment includes our Activate, Agent3, Twogether and SMG agencies. SMG was acquired during the year. This segment is focused on solving short-term revenue challenges for its clients and the pandemic has brought this client growth challenge to the fore, hence the exceptional performance of this segment. Overall, the segment delivered net revenue growth of 61.3% to £80.0m with organic revenue growth of 40.0%. The adjusted operating profit increased by 87.1% to £28.5m at an improved operating profit margin of 35.6%.

The **Business Transformation** segment includes our Mach49, Palladium, Blueshirt and BCA agencies. We increased our shareholding in BCA from 20% to 51% in the period. We saw exceptional performances from each agency in this segment as clients sought our agencies' advice on how to maximise value from either re-inventing and optimising their business model or through a Capital Markets transaction. Overall, the segment delivered net revenue growth of 196.1% to £52.5m with organic revenue growth of 99.9%. The adjusted operating profit increased by 289.7% to £15.2m at an improved operating profit margin of 29.0%.

## Regional adjusted performance

| | UK | EMEA | US | Asia Pacific | Head Office | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Year ended 31 January 2022** | | | | | | |
| **Net revenue** | **137,491** | **10,041** | **199,348** | **15,223** | **-** | **362,103** |
| **Adjusted operating profit / (loss) after interest on lease liabilities** | **30,910** | **2,504** | **58,355** | **1,410** | **(13,832)** | **79,347** |
| **Adjusted operating profit margin[1]** | **22.5%** | **24.9%** | **29.3%** | **9.3%** | **-** | **21.9%** |
| **Organic net revenue growth** | **18.3%** | **21.3%** | **33.2%** | **11.9%** | **-** | **26.1%** |
| Year ended 31 January 2021 | | | | | | |
| Net revenue | 106,247 | 8,610 | 138,383 | 13,646 | - | 266,886 |
| Adjusted operating profit / (loss) after interest on lease liabilities | 22,402 | 1,997 | 34,150 | 2,331 | (11,394) | 49,486 |
| Adjusted operating profit margin[1] | 21.1% | 23.2% | 24.7% | 17.1% | - | 18.5% |
| Organic net revenue decline | (6.4)% | (4.7)% | (0.8)% | (5.5)% | - | (3.4)% |

[1] Adjusted operating profit margin is calculated based on the adjusted operating profit after interest on finance lease liabilities as a percentage of net revenue.

Our US businesses have continued to perform exceptionally well, despite the ongoing uncertainty caused by macro-economic events. In the year to 31 January 2022, total US net revenues grew by 44.1% to £199.3m from £138.4m which equated to organic growth of 33.2%, taking account of movements in exchange rates and the increased investment in BCA during the year and the acquisition of Mach49 in the prior year. Our lead generation agency, Activate, had an exceptionally strong performance throughout the year, whilst our B2C agency M Booth grew its revenues predominantly by winning new business. We also took decisive action on the cost base with staff reductions and a property re-organisation in our key markets of New York and San Francisco. The adjusted operating profit from our US businesses increased by 70.9% to £58.4m compared with £34.2m in the previous 12 months to 31 January 2021, with the operating margin increasing to 29.3% from 24.7% in the prior year.

The UK businesses have delivered a very impressive performance over the last 12 months, with net revenue increasing by 29.4% to £137.5m from £106.2m in the prior period. This growth was helped by the Group's acquisition of SMG and Savanta's acquisition of Youthsight. Our UK businesses achieved organic revenue growth of 18.3%. The adjusted operating profit increased to £30.9m from £22.4m in the prior year with the adjusted operating margin increasing to 22.5% from 21.1% in the prior year.

The EMEA business recovered very well from a Covid impacted FY21 with net revenue increasing by 16.6% to £10.0m (2021: £8.6m) and adjusted operating profit increasing to £2.5m at an improved adjusted operating margin of 24.9%.

In the APAC region net revenue increased by 11.6% to £15.2m (2021: £13.6m), however the operating margin decreased to 9.3% from 17.1% in the prior period, due to a significant investment by Mach49 in creating an Asian hub for their business. The operating profit declined to £1.4m as a result of this investment.

## Balance Sheet and Net Debt

The Group's balance sheet remains in a strong position with net cash as at 31 January 2022 of £35.7m (2021: £14.0m) and net assets of £61.5m (2021: £116.9m). The decrease in net assets resulted from the increase in the contingent consideration. The net cash inflow from operating activities before changes in working capital for the year to 31 January 2022 increased to £92.7m from £66.4m in the prior period. Our management of working capital continued to be strong with an inflow of £0.2m compared with inflow of £6.6m in the prior period. This resulted in our net cash generated from operations before tax being £92.9m (2021: £72.9m).

Over the year we invested £28.1m in acquisition-related payments and £5.8m in capital expenditure.

| Cash flow KPIs | Year to 31 January 2022 £m | Year to 31 January 2021 £m |
|---|---|---|
| Net cash inflow from operating activities before changes in working capital | **92.7** | **66.4** |
| Working capital movement | **0.2** | **6.6** |
| Net cash generated from operations | **92.9** | **72.9** |
| Income tax paid | **(14.1)** | **(8.4)** |
| Investing activities | **(32.2)** | **(27.0)** |
| Dividend paid to shareholders | **9.8** | **-** |

The Group renegotiated its banking facilities during the year and now operates a £60m revolving credit facility ("RCF") with HSBC available until September 2024 with an option to extend for a further two years. As part of the arrangement, the Group has a £40m accordion option to facilitate future acquisitions. Subsequent to the year end, £20m of this accordion has been committed and is available within the RCF. The £60m facility is primarily available for acquisitions, although it could be used for working capital requirements and is due to be repaid from the trading cash flows of the Group. The facility is available in a combination of sterling, US dollar and euro at an interest margin dependent upon the level of gearing in the business. The Group also has a US facility of $7m (2021: $7m) which is available for property rental guarantees and US-based working capital needs.

As part of the facilities agreement, Next 15 must comply with a number of covenants, including maintaining the multiple of net bank debt before earn-out obligations to adjusted EBITDA below 1.75x and the level of net bank debt including earn-out obligations to adjusted EBITDA below 2.5x. Next 15 has ensured that it has complied with all of its covenant obligations with significant headroom.

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021**

| | Note | Year ended 31 January 2022 £'000 | Year ended 31 January 2021 £'000 |
|---|---|---|---|
| Revenue | | 470,055 | 323,668 |
| Direct costs | | (107,952) | (56,782) |
| **Net revenue** | 2 | **362,103** | **266,886** |
| Staff costs | | 258,945 | 189,530 |
| Depreciation | | 9,442 | 11,609 |
| Amortisation | | 19,317 | 16,394 |
| Other operating charges | | 34,414 | 35,665 |
| Total operating charges | | (322,118) | (253,198) |
| **Operating profit** | 2 | **39,985** | **13,688** |
| Finance expense | 6 | (121,384) | (16,884) |
| Finance income | 7 | 1,049 | 1,459 |
| Share of profit from associate | | 211 | 431 |
| **Loss before income tax** | 3 | **(80,139)** | **(1,306)** |
| Income tax credit/(expense) | 4 | 14,475 | (2,643) |
| **Loss for the year** | | **(65,664)** | **(3,949)** |
| Attributable to: | | | |
| Owners of the parent | | (69,219) | (4,938) |
| Non-controlling interests | | 3,555 | 989 |
| | | **(65,664)** | **(3,949)** |
| **Loss per share** | | | |
| Basic (pence) | 8 | (74.9) | (5.5) |
| Diluted (pence) | 8 | (74.9) | (5.5) |

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021**

| | Year ended 31 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £'000 | £'000 |
| **Loss for the year** | **(65,664)** | **(3,949)** |
| **Other comprehensive income/(expense):** | | |
| *Items that may be reclassified into profit or loss:* | | |
| Exchange differences on translating foreign operations | (963) | (1,395) |
| *Items that will not be reclassified subsequently to profit or loss* | | |
| Revaluation of investments | 7,466 | (117) |
| Total other comprehensive income/(expense) for the year | 6,503 | (1,512) |
| **Total comprehensive expense for the year** | **(59,161)** | **(5,461)** |
| Attributable to: | | |
| Owners of the parent | (62,716) | (6,450) |
| Non-controlling interests | 3,555 | 989 |
| | **(59,161)** | **(5,461)** |

## NEXT FIFTEEN COMMUNICATIONS GROUP PLC

## ADJUSTED RESULTS: KEY PERFORMANCE INDICATORS (Unaudited)

| | Year ended 31 January 2022 £'000 | Year ended 31 January 2021 £'000 |
|---|---|---|
| **Net revenue** | **362,103** | **266,886** |
| Operating charges | (270,641) | (202,991) |
| **EBITDA** | **91,462** | **63,895** |
| Depreciation and Amortisation | (11,072) | (13,001) |
| **Operating profit** | **80,390** | **50,894** |
| Interest on finance lease liabilities | (1,043) | (1,408) |
| **Operating profit after interest on finance lease liabilities** | **79,347** | **49,486** |
| *Operating profit margin* | *21.9%* | *18.5%* |
| Net finance expense | (290) | (800) |
| Share of profits of associate | 211 | 431 |
| **Profit before income tax** | **79,268** | **49,117** |
| Tax | (17,155) | (9,922) |
| **Profit after tax** | **62,113** | **39,195** |
| Weighted average number of ordinary shares | 92,395,619 | 89,382,909 |
| Diluted weighted average number of ordinary shares | 98,087,637 | 93,818,504 |
| Adjusted earnings per share | 63.4p | 42.7p |
| Diluted adjusted earnings per share | 59.7p | 40.7p |
| Cash inflow from operating activities before working capital changes | 92,685 | 66,380 |
| Cash outflow on acquisition-related payments | (28,142) | (23,636) |
| Net cash | 35,738 | 14,021 |
| Dividend (per share) | 12.0p | 7.0p |

Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results within notes 2, 3 and 8.

Per note 3, charges for one-off employee incentive schemes, employment linked acquisition payments, restructuring costs, deal costs, property impairment, UK furlough grant and gains on investment activities are adjusted for in calculating the adjusted operating charges and amortisation of acquired intangibles is adjusted for in calculating the adjusted depreciation and amortisation. Interest on lease liabilities and unwinding of discount and change in estimate of future contingent consideration and share purchase obligation payables are adjusted for in calculating net finance expense. These measures are not considered to be adjusted performance measures for the Company.

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**
**CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2022 AND 2021**

| | Note | 31 January 2022 £'000 | 31 January 2021 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | | 7,506 | 8,904 |
| Right-of-use assets | | 19,948 | 26,008 |
| Intangible assets | | 183,050 | 163,777 |
| Investment in equity accounted associate | | - | 254 |
| Investments in financial assets | | 8,483 | 955 |
| Deferred tax asset | | 46,350 | 15,314 |
| Other receivables | | 821 | 860 |
| **Total non-current assets** | | 266,158 | 216,072 |
| Trade and other receivables | | 119,676 | 77,530 |
| Cash and cash equivalents | 9 | 58,216 | 26,831 |
| Corporation tax asset | | 708 | 1,215 |
| **Total current assets** | | 178,600 | 105,576 |
| **Total assets** | | **444,758** | **321,648** |
| **Liabilities** | | | |
| Loans and borrowings | 9 | 22,478 | 7,810 |
| Deferred tax liabilities | | 3,187 | 3,229 |
| Lease liabilities | | 22,285 | 31,812 |
| Other payables | | 401 | 1,576 |
| Provisions | | 14,733 | 7,140 |
| Contingent consideration | 10 | 125,045 | 36,194 |
| Other contingent liability | 10 | 5,202 | - |
| Share purchase obligation | 10 | 9,717 | 5,302 |
| **Total non-current liabilities** | | 203,048 | 93,063 |
| Loans and borrowings | 9 | - | 5,000 |
| Trade and other payables | | 120,333 | 77,319 |
| Lease liabilities | | 10,698 | 10,957 |
| Provisions | | 7,778 | 5,656 |
| Corporation tax liability | | 3,278 | 604 |
| Deferred consideration | 10 | 133 | 1,262 |
| Contingent consideration | 10 | 36,496 | 9,700 |
| Share purchase obligation | 10 | 1,535 | 1,206 |
| **Total current liabilities** | | 180,251 | 111,704 |
| **Total liabilities** | | **383,299** | **204,767** |
| **TOTAL NET ASSETS** | | **61,459** | **116,881** |
| **Equity** | | | |
| Share capital | | 2,320 | 2,274 |
| Share premium reserve | | 104,800 | 92,408 |
| Share purchase reserve | | (2,673) | (2,673) |
| Foreign currency translation reserve | | 5,203 | 6,166 |
| Other reserves | | 608 | 608 |
| Retained (loss)/earnings | | (50,429) | 18,174 |
| **Total equity attributable to owners of the parent** | | **59,829** | **116,957** |
| Non-controlling interests | | 1,630 | (76) |
| **TOTAL EQUITY** | | **61,459** | **116,881** |

## NEXT FIFTEEN COMMUNICATIONS GROUP PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021

| | Share capital | Share premium reserve | Share purchase reserve | Foreign currency translation reserve | Other reserves[1] | Retained earnings | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **At 31 January 2020** | 2,163 | 76,019 | (2,673) | 7,561 | 608 | 29,618 | 113,296 | (585) | 112,711 |
| (Loss)/profit for the year | - | - | - | - | - | (4,938) | (4,938) | 989 | (3,949) |
| Other comprehensive expense for the year | - | - | - | (1,395) | - | (117) | (1,512) | - | (1,512) |
| Total comprehensive (expense) / income for the year | - | - | - | (1,395) | - | (5,055) | (6,450) | 989 | (5,461) |
| Shares issued on satisfaction of vested performance shares | 69 | 10,162 | - | - | - | (10,231) | - | - | - |
| Shares issued on acquisitions | 42 | 6,227 | - | - | - | - | 6,269 | - | 6,269 |
| Movement in relation to share-based payments | - | - | - | - | - | 3,557 | 3,557 | - | 3,557 |
| Tax on share-based payments | - | - | - | - | - | 491 | 491 | - | 491 |
| Movement due to ESOP share purchases | - | - | - | - | (5) | - | (5) | - | (5) |
| Movement due to ESOP share option exercises | - | - | - | - | 5 | - | 5 | - | 5 |
| Movement on reserves for non-controlling interests | - | - | - | - | - | (206) | (206) | 206 | - |
| Non-controlling dividend | - | - | - | - | - | - | - | (686) | (686) |
| **At 31 January 2021** | **2,274** | **92,408** | **(2,673)** | **6,166** | **608** | **18,174** | **116,957** | **(76)** | **116,881** |
| (Loss)/profit for the year | **-** | **-** | **-** | **-** | **-** | **(69,219)** | **(69,219)** | **3,555** | **(65,664)** |
| Other comprehensive (expense)/income for the year | **-** | **-** | **-** | **(963)** | **-** | **7,466** | **6,503** | **-** | **6,503** |
| Total comprehensive (expense) / income for the year | **-** | **-** | **-** | **(963)** | **-** | **(61,753)** | **(62,716)** | **3,555** | **(59,161)** |
| Shares issued on satisfaction of vested performance shares | **22** | **5,385** | **-** | **-** | **-** | **(5,407)** | **-** | **-** | **-** |
| Shares issued on acquisitions | **24** | **7,007** | **-** | **-** | **-** | **-** | **7,031** | **-** | **7,031** |
| Movement in relation to share-based payments | **-** | **-** | **-** | **-** | **-** | **5,565** | **5,565** | **-** | **5,565** |
| Tax on share-based payments | **-** | **-** | **-** | **-** | **-** | **2,757** | **2,757** | **-** | **2,757** |
| Dividends to owners of the Parent | **-** | **-** | **-** | **-** | **-** | **(9,832)** | **(9,832)** | **-** | **(9,832)** |
| Movement due to ESOP share purchases | **-** | **-** | **-** | **-** | **(3)** | **-** | **(3)** | **-** | **(3)** |
| Movement due to ESOP share option exercises | **-** | **-** | **-** | **-** | **3** | **-** | **3** | **-** | **3** |
| Movement on reserves for non-controlling interests | **-** | **-** | **-** | **-** | **-** | **67** | **67** | **(67)** | **-** |
| Non-controlling interest purchased in the period | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **585** | **585** |
| Non-controlling interest reversed in the period | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **171** | **171** |
| Non-controlling dividend | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(2,538)** | **(2,538)** |
| **At 31 January 2022** | **2,320** | **104,800** | **(2,673)** | **5,203** | **608** | **(50,429)** | **59,829** | **1,630** | **61,459** |

[1] Other reserves include ESOP reserve, the treasury reserve, the merger reserve and the hedging reserve.

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**

**CONSOLIDATED STATEMENT OF CASH FLOW**

**FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021**

| | Year ended 31 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £'000 | £'000 |
| **Cash flows from operating activities** | | |
| Loss for the year | (65,664) | (3,949) |
| Adjustments for: | | |
| Depreciation | 9,442 | 11,609 |
| Amortisation | 19,317 | 16,394 |
| Finance expense | 121,384 | 16,884 |
| Finance income | (1,049) | (1,459) |
| Share of profit from equity accounted associate | (211) | (431) |
| Impairment of RoU assets and leasehold improvements | 1,378 | 8,503 |
| Loss on sale/impairment of property, plant and equipment | (189) | 6,885 |
| Gain on exit of finance lease | (1,423) | (2,327) |
| Gains on investment activities | (455) | - |
| Income tax (credit)/expense | (14,475) | 2,643 |
| Employment linked acquisition provision charge | 15,167 | 8,041 |
| Share-based payment charges | 9,463 | 3,587 |
| **Net cash inflow from operating activities before changes in working capital** | **92,685** | **66,380** |
| Change in trade and other receivables | (26,842) | (5,692) |
| Change in trade and other payables | 27,014 | 12,942 |
| Change in other liabilities | 4 | (697) |
| | 176 | 6,553 |
| **Net cash generated from operations before tax outflows** | **92,861** | **72,933** |
| Income taxes paid | (14,109) | (8,423) |
| **Net cash inflow from operating activities** | **78,752** | **64,510** |
| **Cash flows from investing activities** | | |
| Acquisition of subsidiaries and trade and assets, net of cash acquired | (14,454) | (8,097) |
| Payment of contingent and deferred consideration | (13,628) | (15,539) |
| Purchase of equity investments designated at FVTOCI | (60) | - |
| Acquisition of property, plant and equipment | (3,107) | (1,998) |
| Proceeds on disposal of property, plant and equipment | 20 | 4 |
| Proceeds on disposal of subsidiary | - | - |
| Acquisition of intangible assets | (2,694) | (2,109) |
| Net movement in long-term cash deposits | (73) | (82) |
| Income from finance lease receivables | 1,767 | 780 |
| Interest received | 69 | 47 |
| **Net cash outflow from investing activities** | **(32,160)** | **(26,994)** |

## NEXT FIFTEEN COMMUNICATIONS GROUP PLC

## CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

## FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021

| | Year ended 31 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £'000 | £'000 |
| **Cash flows from financing activities** | | |
| Capital element of finance lease rental repayment | (11,993) | (12,647) |
| Increase in bank borrowings and overdrafts | 32,091 | - |
| Repayment of bank borrowings and overdrafts | (22,518) | (24,912) |
| Interest paid | (424) | (881) |
| Dividend and profit share paid to non-controlling interest partners | (2,538) | (686) |
| Dividends paid to shareholders of the parent | (9,832) | - |
| **Net cash outflow from financing activities** | **(15,214)** | **(39,126)** |
| **Net increase/(decrease) in cash and cash equivalents** | **31,378** | **(1,610)** |
| Cash and cash equivalents at beginning of the year | 26,831 | 28,661 |
| Exchange gains/(losses) on cash held | 7 | (220) |
| **Cash and cash equivalents at end of the year** | **58,216** | **26,831** |

## NOTES TO THE YEAR END RESULTS

## FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021

### 1) BASIS OF PREPARATION

The financial information in these results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the United Kingdom (collectively Adopted IFRSs). The principal accounting policies used in preparing the results are those the Group has applied in its financial statements for the year ended 31 January 2022.

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 January 2022 or 2021, but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006.

*Going concern statement*

The Directors have, at the time of approving this financial information, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this financial information. The Directors have made this assessment in light of reviewing the Group's budget and cash requirements for a period in excess of one year from the date of signing of the annual report and considered outline plans for the Group thereafter.

### 2) SEGMENT INFORMATION

*Measurement of operating segment profit*

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges and net revenue, which reflects the internal reporting measure used by the Board of Directors. This measurement basis excludes the effects of certain acquisition-related costs and goodwill impairment charges. Head office costs relate to Group costs before allocation of intercompany charges to the operating segments. Intersegment transactions have not been separately disclosed as they are not material. The Board of Directors does not review the assets and liabilities of the Group on a segmental basis and therefore this is not separately disclosed.

The Group has previously reported its results split into three divisions: Brand Marketing, Data and Insights and Creative Technology. From 1 February 2021, the Group structure has been enhanced, moving from three divisions to four: Customer Insight, Customer Engagement, Customer Delivery and Business Transformation.

| | Customer Engage £'000 | Customer Delivery £'000 | Customer Insight £'000 | Business Transformation £'000 | Head Office £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 January 2022** | | | | | | |
| **Net revenue** | **187,566** | **79,951** | **42,109** | **52,477** | **-** | **362,103** |
| **Adjusted operating profit / (loss) after interest on finance lease liabilities** | **40,434** | **28,501** | **9,023** | **15,221** | **(13,832)** | **79,347** |
| **Adjusted operating profit margin[1]** | **21.6%** | **35.6%** | **21.4%** | **29.0%** | **-** | **21.9%** |
| **Organic net revenue growth** | **15.7%** | **40.0%** | **18.6%** | **99.9%** | **-** | **26.1%** |
| Year ended 31 January 2021 | | | | | | |
| Net revenue | 166,534 | 49,557 | 33,073 | 17,722 | - | 266,886 |
| Adjusted operating profit / (loss) after interest on finance lease liabilities | 36,866 | 15,232 | 4,876 | 3,906 | (11,394) | 49,486 |
| Adjusted operating profit margin[1] | 22.1% | 30.7% | 14.7% | 22.0% | - | 18.5% |
| Organic net revenue (decline)/growth | (9.2%) | 17.2% | (3.6%) | 9.0% | - | (3.4%) |

[1] Adjusted operating profit margin is calculated based on the adjusted operating profit after interest on finance lease liabilities as a percentage of net revenue.

## NOTES TO THE YEAR END RESULTS *(Continued)*

## FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021

### 2) SEGMENT INFORMATION *(continued)*

| | UK £'000 | EMEA £'000 | US £'000 | Asia Pacific £'000 | Head Office £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 January 2022** | | | | | | |
| **Net revenue** | **137,491** | **10,041** | **199,348** | **15,223** | **-** | **362,103** |
| **Adjusted operating profit / (loss) after interest on lease liabilities** | **30,910** | **2,504** | **58,355** | **1,410** | **(13,832)** | **79,347** |
| **Adjusted operating profit margin[1]** | **22.5%** | **24.9%** | **29.3%** | **9.3%** | **-** | **21.9%** |
| **Organic net revenue growth** | **18.3%** | **21.3%** | **33.2%** | **11.9%** | **-** | **26.1%** |
| Year ended 31 January 2021 | | | | | | |
| Net revenue | 106,247 | 8,610 | 138,383 | 13,646 | - | 266,886 |
| Adjusted operating profit / (loss) after interest on lease liabilities | 22,402 | 1,997 | 34,150 | 2,331 | (11,394) | 49,486 |
| Adjusted operating profit margin[1] | 21.1% | 23.2% | 24.7% | 17.1% | - | 18.5% |
| Organic net revenue decline | (6.4)% | (4.7)% | (0.8)% | (5.5)% | - | (3.4)% |

[1] Adjusted operating profit margin is calculated based on the adjusted operating profit after interest on finance lease liabilities as a percentage of net revenue.

A reconciliation of segment adjusted operating profit after interest on finance lease liabilities to segment adjusted operating profit and statutory operating profit is provided as follows:

| | Year ended 31 January 2022 £'000 | Year ended 31 January 2021 £'000 |
|---|---|---|
| **Segment adjusted operating profit after interest on finance lease liabilities** | **79,347** | **49,486** |
| Interest on finance lease liabilities | 1,043 | 1,408 |
| **Segment adjusted operating profit** | **80,390** | **50,894** |
| Amortisation of acquired intangibles (note 3) | (17,687) | (15,002) |
| Charge for one-off employee incentive schemes (note 3) | (5,891) | (2,424) |
| Employment linked acquisition payments (note 3) | (15,167) | (8,041) |
| Property impairment (note 3) | (233) | (10,018) |
| Restructuring costs (note 3) | - | (2,746) |
| UK furlough grant (note 3) | (1,396) | 1,396 |
| Gain on investment activities (note 3) | 455 | - |
| Deal costs (note 3) | (486) | (371) |
| **Total operating profit** | **39,985** | **13,688** |

## NOTES TO THE YEAR END RESULTS *(Continued)*

## FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021

### 3) RECONCILIATION OF ADJUSTED RESULTS

| | Year ended 31 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £'000 | £'000 |
| **Loss before income tax** | **(80,139)** | **(1,306)** |
| Unwinding of discount on deferred and contingent consideration and share purchase obligation payable[1] | 8,299 | 5,153 |
| Change in estimate of future contingent consideration and share purchase obligation payable[1] | 110,703 | 8,064 |
| Charge for one-off employee incentive scheme[2] | 5,891 | 2,424 |
| Employment linked acquisition payments[3] | 15,167 | 8,041 |
| Restructuring costs[4] | - | 2,746 |
| Deal costs[5] | 486 | 371 |
| Property impairment [6] | 233 | 10,018 |
| UK furlough grant[7] | 1,396 | (1,396) |
| Amortisation of acquired intangibles[8] | 17,687 | 15,002 |
| Gains on investment activities[9] | (455) | - |
| **Adjusted profit before income tax** | **79,268** | **49,117** |
| | | |
| **Operating profit** | **39,985** | **13,688** |
| Depreciation of property, plant and equipment | 3,296 | 3,880 |
| Depreciation of right-of-use assets | 6,146 | 7,729 |
| Amortisation of intangible assets | 19,317 | 16,394 |
| **EBITDA** | **68,744** | **41,691** |
| Charge for one-off employee incentive schemes[2] | 5,891 | 2,424 |
| Employment linked acquisition payments[3] | 15,167 | 8,041 |
| Restructuring costs[4] | - | 2,746 |
| Deal costs[5] | 486 | 371 |
| Property impairment [6] | 233 | 10,018 |
| UK furlough grant[7] | 1,396 | (1,396) |
| Gains on investment activities[9] | (455) | - |
| **Adjusted EBITDA** | **91,462** | **63,895** |

[1] The Group adjusts for the remeasurement of the acquisition-related liabilities within the adjusted performance measures in order to aid comparability of the Group's results year on year as the charge/credit from remeasurement can vary significantly depending on the underlying brand's performance. It is non-cash and its directional impact to the income statement is opposite to the brand's performance driving the valuations. The unwinding of discount on these liabilities is also excluded from underlying performance on the basis that it is non-cash and the balance is driven by the Group's assessment of the time value of money and this exclusion ensures comparability.

[2] This charge relates to transactions whereby a restricted grant of brand equity was given to key management in Brandwidth Marketing Limited and Publitek Limited (total of £0.7m) (2021: M Booth & Associates LLC, Twogether Creative Limited, Savanta Group Limited and ODD London Limited) at nil cost which holds value in the form of access to future profit distributions as well as any future sale value under the performance-related mechanism set out in the share sale agreement. The remaining £5.2m of the charge relates to an additional new incentive scheme for the sellers of Activate. This value is recognised as a one-off charge in the income statement in the year of grant as the agreements do not include service requirements, thus the cost accounting is not aligned with the timing of the anticipated benefit of the incentive, namely the growth of the relevant brands.

## NOTES TO THE YEAR END RESULTS (Continued)

## FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021

### 3) RECONCILIATION OF ADJUSTED RESULTS *(continued)*

[3]This charge relates to payments linked to the continuing employment of the sellers which is being recognised over the required period of employment. Although these costs are not exceptional or non-recurring, the Group determined they should be excluded from the underlying performance as the costs solely relate to acquiring the business. The sellers of the business are typically paid market salaries and bonuses in addition to these acquisition-related payments and therefore the Group determines these costs solely relate to acquiring the business. Adjusting for these within the Group's adjusted performance measures gives a better reflection of the Group's profitability and enhances comparability year-on-year.
[4]In the prior period the Group incurred restructuring costs which primarily related to Covid-19 redundancy costs taken in the period in response to the pandemic. These costs related to specific transformational events and they did not relate to underlying trading of the relevant brands.
[5]This charge relates to third party professional fees incurred during acquisitions.
[6]In the current period the Group has recognised charges relating to the reorganisation of the property space across the Group. This charge is made up of credits relating to right-of-use assets which were impaired in the prior year and have subsequently been sublet or assigned ahead of expectation. As well as additional excess property identified during the year and therefore taken an impairment charge of right-of-use assets and leasehold improvements. The Group has adjusted for this charge to align to the treatment of the impairment in the prior year and because the additional one-off charge does not relate to the trading of the business and therefore added back to aid comparability.
[7]As a result of Covid-19, a number of the UK agencies received government support from the UK furlough scheme in the prior period. During the current year the Group has repaid all amounts received from the UK government. As a result of the receipt and repayment being accounted for in two separate years, the amounts are added back to aid comparability of the Group's profitability year on year.
[8]In line with its peer group, the Group adds back amortisation of acquired intangibles. Judgement is applied in the allocation of the purchase price between intangibles and goodwill, and in determining the useful economic lives of the acquired intangibles. The judgements made by the Group are inevitably different to those made by our peers and as such amortisation of acquired intangibles been added back to aid comparability.
[9]In the current period the Group acquired a controlling interest in BCA and became a subsidiary of the Group, previously accounted for as an associate. As a result of this change, the Group recognised a gain on the revaluation of the previously held investment in equity-accounted associate of £0.9m. The remaining charge relates to the loss on disposal of a separate controlling interest, whereby the Group retained an associate interest at the year end. The overall credit relates to specific transformational events and do not relate to the underlying trading of the relevant brand and therefore have been added back to aid comparability of the performance year on year.

Adjusted profit before income tax and adjusted EBITDA have been presented to provide additional information which may be useful to the reader. Adjusted earnings to ordinary shareholders is a measure of performance used in the calculation of the adjusted earnings per share. This measure is considered an important indicator of the performance of the business and so it is used for the vesting of employee performance shares.

### 4) TAXATION

The tax charge on adjusted profit for the year ended 31 January 2022 is £17,155,000 (2021: £9,922,000), equating to an adjusted effective tax rate of 21.6%, compared to 20.2% in the prior year. The Group's adjusted corporation tax rate is expected to remain higher than the standard UK rate for the foreseeable future due to the higher rate of tax the Group suffers on its overseas profits. The Group notes that Governments around the world are likely to increase their rates of corporation tax materially over the next few years to help pay for the cost of economic support in light of the pandemic. Therefore, it is likely that the Group's adjusted effective rate of tax will increase materially over the next few years reflecting these increases.
The statutory tax credit for the year ended 31 January 2022 is £14,475,000 (2021: expense of £2,643,000).

## NOTES TO THE YEAR END RESULTS (*Continued)*

## FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021

### 4) TAXATION *(continued)*

**RECONCILIATION OF ADJUSTED TAX EXPENSE**

| | Year ended 31 January 2022 £'000 | Year ended 31 January 2021 £'000 |
|---|---|---|
| Income tax (credit)/expense reported in the Consolidated Income Statement | (14,475) | 2,643 |
| **Add back tax on adjusting items:** | | |
| Costs associated with the current period restructure and office moves | 1,422 | 1,965 |
| Unwinding of discount on and change in estimates of contingent and deferred consideration | 27,287 | 1,956 |
| Share-based payment charge | 414 | 141 |
| Amortisation of acquired intangibles | 2,507 | 3,196 |
| Employment-related acquisition liabilities | - | 21 |
| **Adjusted tax expense** | **17,155** | **9,922** |
| Adjusted profit before income tax | 79,268 | 49,117 |
| **Adjusted effective tax rate** | **21.6%** | **20.2%** |

### 5) DIVIDENDS

A final dividend of 8.4p per ordinary share will be paid on 12 August 2022 to shareholders listed on the register of members on 8 July 2022. Shares will go ex-dividend on 7 July 2022. This makes the total dividend for the year 12.0p per share (2021: 7.0p).

### 6) FINANCE EXPENSE

| | Year ended 31 January 2022 £'000 | Year ended 31 January 2021 £'000 |
|---|---|---|
| **Financial liabilities at amortised cost** | | |
| Bank interest payable | 398 | 877 |
| Interest on lease liabilities[1] | 1,043 | 1,408 |
| **Financial liabilities at fair value through profit and loss** | | |
| Unwinding of discount on deferred and contingent consideration and share purchase obligation payable[1] | 8,299 | 5,153 |
| Change in estimate of future contingent consideration and share purchase obligation payable[1] | 111,618 | 9,442 |
| **Other** | | |
| Other interest payable | 26 | 4 |
| **Finance expense** | **121,384** | **16,884** |

[1]These items are adjusted for in calculating the adjusted net finance expense.

## NOTES TO THE YEAR END RESULTS (*Continued)*

## FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021

### 7) FINANCE INCOME

| | Year ended 31 January 2022 £'000 | Year ended 31 January 2021 £'000 |
|---|---|---|
| **Financial assets at amortised cost** | | |
| Bank interest receivable | 35 | 43 |
| Finance lease interest receivable | 65 | 34 |
| **Financial liabilities at fair value through profit and loss** | | |
| Change in estimate of future contingent consideration and share purchase obligation payable[1] | 915 | 1,378 |
| Other interest receivable | 34 | 4 |
| **Finance income** | **1,049** | **1,459** |

[1]These items are adjusted for in calculating the adjusted net finance expense.

### 8) EARNINGS PER SHARE

| | Year ended 31 January 2022 | Year ended 31 January 2021 |
|---|---|---|
| | £'000 | £'000 |
| **Loss attributable to ordinary shareholders** | **(69,219)** | **(4,938)** |
| Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable | 8,299 | 5,153 |
| Change in estimate of future contingent consideration and share purchase obligation payable | 110,703 | 8,064 |
| Charge for one-off employee incentive scheme | 5,891 | 2,424 |
| Restructuring costs | - | 2,746 |
| Property impairment | 233 | 10,018 |
| UK furlough grant | 1,396 | (1,396) |
| Amortisation of acquired intangibles | 17,687 | 15,002 |
| Employment linked acquisition payments | 15,167 | 8,041 |
| Deal costs | 486 | 371 |
| Gains on investment activities | (455) | - |
| Tax effect of adjusting items above | (31,629) | (7,280) |
| **Adjusted earnings attributable to ordinary shareholders** | **58,559** | **38,205** |
| | **Number** | **Number** |
| Weighted average number of ordinary shares | 92,395,619 | 89,382,909 |
| Dilutive LTIP shares | 2,389,017 | 820,997 |
| Dilutive growth deal shares | 916,215 | 1,552,359 |
| Other potentially issuable shares | 2,386,786 | 2,062,239 |
| Diluted weighted average number of ordinary shares | **98,087,637** | **93,818,504** |

## NOTES TO THE YEAR END RESULTS (*Continued)*

## FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021

### 8) EARNINGS PER SHARE *(continued)*

| | | |
|---|---|---|
| Basic loss per share | (74.9)p | (5.5)p |
| Diluted loss per share[1] | (74.9)p | (5.5)p |
| Adjusted earnings per share | 63.4p | 42.7p |
| Diluted adjusted earnings per share | 59.7p | 40.7p |

[1]The weighted average shares used in the basic loss per share calculation has also been used for the reported diluted loss per share due to the anti-dilutive effect of the weighted average shares calculation for the reported diluted loss per share.

Adjusted and diluted adjusted earnings per share have been presented to provide additional information which may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. The adjusted earnings per share is the performance measure used for the vesting of employee performance shares.

### 9) NET DEBT

The Group renegotiated its banking facilities during the year and now operates a £60m revolving credit facility ("RCF") with HSBC available until September 2024 with an option to extend for a further two years. As part of the arrangement, the Group has a £40m accordion option to facilitate future acquisitions. Subsequent to the year end, £20m of this accordion has been committed and is available within the RCF. The £60m facility is primarily available for acquisitions, although it could be used for working capital requirements and is due to be repaid from the trading cash flows of the Group. The facility is available in a combination of sterling, US dollar and euro at an interest margin dependent upon the level of gearing in the business. The Group also has a US facility of $7m (2021: $7m) which is available for property rental guarantees and US-based working capital needs.

| | 31 January 2022<br>£'000 | 31 January 2021<br>£'000 |
|---|---|---|
| Total loans and borrowings | 22,478 | 12,810 |
| Less: cash and cash equivalents | (58,216) | (26,831) |
| **Net cash** | **(35,738)** | **(14,021)** |
| Share purchase obligation | 11,252 | 6,508 |
| Contingent consideration | 161,541 | 45,894 |
| Deferred consideration | 133 | 1,262 |
| Other contingent liability | 5,202 | - |
| **Net debt and acquisition related liabilities** | **142,390** | **39,643** |

## NOTES TO THE YEAR END RESULTS (*Continued)*

## FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021

### 10) OTHER FINANCIAL LIABILITIES

| | Deferred consideration | Contingent consideration | Other Contingent Liability | Share purchase obligation |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| At 31 January 2020 | 2,715 | 42,181 | - | 3,367 |
| Arising during the year | - | 12,885 | - | - |
| Exchange differences | - | (1,979) | - | (50) |
| Utilised | (4,037) | (14,635) | - | - |
| Unwinding of discount | 179 | 4,515 | - | 459 |
| Change in estimate | - | 5,332 | - | 2,732 |
| Reclassification | 2,405 | (2,405) | - | - |
| **At 31 January 2021** | **1,262** | **45,894** | **-** | **6,508** |
| Arising during the year | - | 9,073 | 3,888 | - |
| Exchange differences | - | 3,795 | 170 | 35 |
| Utilised | (1,300) | (10,199) | - | - |
| Unwinding of discount | 38 | 6,306 | 1,144 | 811 |
| Change in estimate | - | 106,805 | - | 3,898 |
| Reclassification | 133 | (133) | - | - |
| **At 31 January 2022** | **133** | **161,541** | **5,202** | **11,252** |
| **Current** | **133** | **36,496** | **-** | **1,535** |
| **Non-current** | **-** | **125,045** | **5,202** | **9,717** |

### 11) EVENTS AFTER THE BALANCE SHEET DATE

**Acquisition of Engine UK**

On 8 March 2022 Next 15 acquired Engine Acquisition Limited ("Engine UK"). Engine UK is a broad-based digital transformation, communications and creative business with approximately 600 staff and 300 UK and international clients. The acquisition of Engine UK for an enterprise value of £77.5 million, with £61.7 million paid on completion in cash.

The Acquisition was funded from the Company's debt facilities and the proceeds of a placing of new ordinary shares in the Company. A total of 4,505,000 new ordinary shares in the capital of the Company of 2.5 pence each have been placed by Numis Securities Limited and Joh. Berenberg, Gossler & Co. KG at a price of 1,110 pence per Placing Share, raising gross proceeds of approximately £50 million (before expenses). We expect to recognise goodwill on this acquisition due to the anticipated profitability and operating synergies. Due to the recent timing of the acquisition, the IFRS 3 acquisition accounting has not yet been completed.

**Significant new contract win**

In February 2022, Next 15 announced that its wholly owned subsidiary Mach49, the growth incubator for global businesses, has entered into a five-year strategic alliance with a global technology and digital company, currently operating in stealth mode. Under the agreement, they will be tasked with helping create and launch a series of innovation-led, technology-driven, sustainable ventures across the world.

Over the term of the contract total fees are expected to be in excess of $400m, with revenues in the first year to be approximately $50m. This signing of this contract contributed to the better than anticipated Group financial performance for the full year.

## NOTES TO THE YEAR END RESULTS (*Continued)*

## FOR THE YEARS ENDED 31 JANUARY 2022 AND 31 JANUARY 2021

### 11) EVENTS AFTER THE BALANCE SHEET DATE *(continued)*

Mach49's equity holders will also share in the benefit of this significant contract win in the form of a materially higher earnout. This will be payable over the next five years will be funded entirely from the cashflows resulting from the business. However, from an accounting perspective, the full increase of £107m in the anticipated earnout is included in our statutory profit and loss account as a finance expense. The estimates around the contingent consideration are considered by management to be an area of significant judgement and if these were to be incorrect, this could result in a material adjustment to the value of these liabilities within the next financial year.